June 2022

Standing Committee on Natural Resources

Via email: rnnr@parl.gc.ca

Re: Creating a Fair and Equitable Canadian Energy Transformation

Thank you for the opportunity to provide feedback to the Standing Committee on Natural Resources' Study on Creating a Fair and Equitable Canadian Energy Transformation. Part of Canada's International 2015 commitment to reducing GHG emissions includes supporting a just transition to a low-carbon economy. It is important to recognize the significant socioeconomic impacts associated with increasingly ambitious climate policy, and the need for committing to bold steps to support affected industries and workers. Other countries have created governance structures to coordinate these activities. As one of the top ethical energy producing nations in the world, Canada must ensure a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities.

Below are recommendations on initial steps that the government could take as priorities:

- Learn from the mistakes of the Off-Coal Just Transition and leverage the recommendations of the Provincial and Federal committees.
- Commission detailed studies of impacted sectors and communities to understand the ecosystem, interdependencies, and regional vulnerabilities.
- Focus on local economic diversification, job creation, and skill retraining.
- Undertake extensive stakeholder mapping exercise at different levels to identify key stakeholders who will be impacted.
- Create governance structures to coordinate activities that support affected industries and workers.
- Create an inter-ministerial committee that involves both the federal government and members from key energy producing provinces.

There are approximately 600,000 Canadians—located primarily in Alberta, Saskatchewan, and Newfoundland and Labrador—that are either directly or indirectly employed in the oil and gas sector, including nearly 10,000 Indigenous people.[1] However, as many as 450,000 (or 75 per cent) of these workers could be displaced in Canada's net-zero transition.[2] Without mitigation and thoughtful industrial policy, this scale of displacement proposed could create economic shocks and inflame social tensions across Canada. Any credible pathway to net zero includes continued innovation and the use of natural gas and oil. Even under the International Energy Agency's ambitious Sustainable Development Scenario (in line with the Paris Agreement), global oil demand in 2040 is still nearly 70 million barrels/day (down from an estimated 97 million barrels/day in 2021), while natural gas demand is relatively unchanged from today (3.8 billion cubic metres in 2021, down from a forecast of 4.1 billion cubic metres in 2021).[3]

[1] NRCAN. (2020). Energy Factbook 2019-2020. Retrieved from https://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/energy/energy-factbook_EN-feb14-2020.pdf

[2] TD Economics. (2021). Don't Let History Repeat: Canada's Energy Sector Transition and the Potential Impact on Workers. https://economics.td.com/esg-energy-sector

[3] IEA. (2020). The Oil and Gas Industry in Energy Transitions. https://www.iea.org/reports/the-oil-and-gas-industry-in-energy-transitions

Just transition involves preparing the workforce to fully participate in the low-carbon economy while minimizing the impacts of labour market transitions; identifying and supporting inclusive economic opportunities for workers in their communities. **Just transition should be about the workers and the communities and should never be sidetracked to include discussions around cyclical commodity prices and corporate profits. These upside/downside effects of commodity prices are usually temporary and mostly create risks/rewards to investors and shareowners and does not help determine the future sustainability and livelihoods of the current energy worker.**

Large industries often create local and regional ecosystems of dependency and help generate both direct and indirect jobs. It also creates revenues for other medium and smaller businesses and social developments in local, regional, and at the national level.

With all the above mentioned in mind, we propose that the Government consider the following as it develops its governance structure and implementation plans for Just Transition:

- Leverage the findings on Just Transition from the Office of the Auditor General.
- Leveraging Canada's Energy Expertise to Support the Energy Transformation.
- Investments in Low-Carbon Technologies.
- "People-centric" and "place-based" Solutions – "No one-size-fits-all solution".

Governments need to work with industry and promote enabling paths to emission reduction through upgrading skill sets to participate in the low-carbon economy and investing in clean technologies to support the transformation into a low-carbon economy. If governments and industry fail to do so, then the most impacted will be the workers in those industries.

Leverage the findings on Just Transition from the Office of the Auditor General

Governments need to take past learnings and make sure proper steps are taken to ensure adequate support is provided to all affected workers and communities. Based on the recent Just Transition report from the Office of the Auditor General, a lot more needs to be done to properly address the issues going forward. ATCO took part in both the Alberta Coal Just Transition and the Federal Just Transition Panel and wants to share part of our findings to help identify some of the direct and indirect impacts:

- Timing was too late (at least in Alberta). Both Governments (Provincial and Federal) viewed that they had more time because the coal transition did not have to happen until 2030, however, it was the introduction of higher levels of carbon taxation and other pressures on industrial emitters that had greater impacts on coal than the intensity limits specified in the federal coal regulations. These secondary influences drove a much quicker response to transitioning from coal than expected by Governments.
- In terms of housing, location matters. Those affected workers in communities located closest to major cities were less impacted. However, affected workers in much smaller communities had much bigger impacts and experienced as much as 39% in lower housing value from the exodus of people. It was also much harder to get mortgages in those small towns.

- Retention of employees become very difficult when the off-coal was announced. This introduced costs to companies to be able to retain employees.
- Support offered by Governments for coal affected workers was underwhelming and was left to the companies that were also being impacted to fill gaps and make sure the support needed was much more meaningful. The program ATCO delivered and offered to its impacted employees well surpassed what Governments provided. Even with the cumulative support from our company and Governments, the impacted workers still believe it was still insufficient and that more could of be done.
- Government programs never contemplated the size of the impacts directly and indirectly (especially in rural regions). Finding new jobs required moving away from the current communities. With a large exodus of people with good paying jobs in small communities, housing markets suffered locally. ATCO at the time offered a $25K home provision to help workers affected in those communities. This only covered a small portion of the losses that were being experienced.
- The exodus of people with good paying jobs out of the small communities (Hanna and Forestburg) has been impactful to these communities and drastically affected businesses that provided services in those communities. Some funding was provided by Governments, but it was not significant enough to provide meaningful support.

Leveraging Canada's Energy Expertise to Support the Energy Transformation

Support for transitioning energy workers means the creation of jobs that allow workers to use comparable skill sets and continue to earn family-supporting wages. Canada's energy sector, as the country's largest investor in clean tech, is well positioned to continue to meet global demand while simultaneously developing clean technology expertise and cleaner fuels. As noted in a recent report by the Oxford Institute for Energy Studies: *"Oil and gas firms, supported by their peers in heavy industry, have announced blue hydrogen, oilsands CCUS, and carbon transportation projects which – if implemented – could transform the province of Alberta and disrupt the Canadian economy."*[4]

Canada's net-zero goals present a clear opportunity to build and capitalize upon the country's strategic advantages in CCUS, hydrogen, and other clean technologies—particularly in regions that have historically relied upon carbon-intensive industries. For example, Alberta can produce low-carbon hydrogen, reformed from natural gas, at a lower cost than almost anywhere else in the world. Further, the province boasts abundant natural gas reserves, close and symbiotic industry clusters, sophisticated regulators and legislative regimes, existing pipeline infrastructure, and ideal sequestration geology. These distinct competitive advantages present Canada with an opportunity to lead the global hydrogen economy, while simultaneously providing cleaner fuels for domestic use and export.

Similarly, in Alberta, the development and availability of advanced CCUS technology, and Direct Air Capture (DAC), represent two of the largest emissions reduction opportunities for Canada's natural resource, chemical, and manufacturing industries. These technologies capitalize on existing human

[4] Oxford Institute for Energy Studies. (September 2021). The Role of CCUS in Accelerating Canada's Transition to Net-Zero. https://www.oxfordenergy.org/wpcms/wp-content/uploads/2021/09/The-Role-of-CCUS-in-Accelerating-Canadas-Transition-to-Net-Zero.pdf

capital and support the development of technological innovations and expertise that can be exported to global markets with similarly concentrated industrial clusters (including developing markets, which must also rapidly decarbonize). Over time, the CCUS projects can also support global decarbonization efforts through the steady production of offset credits. As argued by researchers at the University of Calgary's School of Public Policy: "*Developing these* [CCUS] *technologies in Alberta means the province could become a centre of low-emissions heavy industry using CCUS, and eventually a supplier of net-negative DAC and CCUS disposal credits to Canada and potentially the world — the ultimate additive, verifiable, permanent and traceable offset.*[5]

Enhanced and sustained federal support for these industries will not only underpin the carbon competitiveness of Canada's incumbent industries (including the economically vital energy sector), but also help to establish diversified value chains in regions of the country that are disproportionately affected.

Investments in Low-Carbon Technologies

As the Canadian government pursues an aggressive pace of net-zero ambitions, they have a responsibility to invest in enabling low-carbon technologies and large-scale infrastructure projects. Support in these areas will help bridge the gap during the transformative transition period. The recent Federal budget introduced the Investment Tax Credit (ITC) for CCUS, which is a powerful and useful tool to support low-carbon projects. These opportunities that help create long-term sustainable permanent jobs for those in the traditional energy sector will not only ensure support for communities and workers, but also enhances the competitiveness and innovative capacity of Canada's energy industry and the people who depend on it. These technologies and infrastructure projects could include but not limited to:

- Low-carbon hydrogen
- Carbon Capture Technologies
- Small Modular Reactors
- Geothermal

ATCO calls on the government to continue to support and incentivize the above-mentioned technologies and promote efficient deployment to allow the migration of the skilled workforce to these emerging low carbon technologies.

"People-centric" and "place-based" Solutions – "No one-size-fits-all solution"

There is no one-size-fits-all solution for decarbonization and, owing to the geographic concentration of Canada's heavy-emitting industries, there is no single overarching market mechanism that will ensure the growth of clean jobs in regions where the adverse employment impacts of the transition will be most acutely felt. Troublingly, as observed in comparable jurisdictions around the globe, direct funding for

[5] Bataille, C., Dobson, S., Kanduth, A., and Winter, J. (2021). Alberta in Canada's Net Zero Future: Seizing Opportunities While Adapting to Change. https://www.policyschool.ca/wp-content/uploads/2021/06/AF5_Net-Zero-Future_Bataille-et-al.pdf

community-level economic development is not commonly employed when enacting transition policy—a striking gap when considering the substantial localized impacts of displaced employees on municipalities and regional economies.[6]

In addition to being "people-centric", Canada's just transition will need to be "place-based". In devising Canada's climate policy, the Government of Canada should seek to account for the demographics, geography, history, economy, and infrastructure of communities that bear the brunt of decarbonization. Subsequently, localized community supports should reflect those variables and, to the extent possible, seek to build on the incumbent strengths of those communities (developed in lockstep with community stakeholders, including Indigenous Peoples).

Crucially, this community support cannot be temporary. For many communities across Canada, the economic and supporting social infrastructure associated with carbon-intensive industry has been established over multiple generations and is firmly entrenched. Accordingly, to the extent federal climate policy results in substantial economic upheaval within these communities, targeted federal support should be sustainable for the long-term, as the reinvention of these communities will be a long-term challenge for all levels of government.

Closing

In summary, to the extent that decarbonization policies enacted by the Government of Canada create economic hardship for Canadians, governments need to work with industry and promote enabling paths to emission reduction through upgrading skill sets to participate in the low-carbon economy and investing in clean technologies to support the transformation into a low-carbon economy. Just transition must include careful consideration to economic diversification—capitalizing on local community strengths—and to exhaustive consultation with impacted stakeholders.

However, Canada's clean energy transition also represents an opportunity to redefine and reinvigorate our energy sector—and to position it to compete in a net zero context. The world-class expertise and ingenuity of our energy sector workers, along with our world-class resources, can make a significant contribution to global net-zero ambitions. Rather than phasing out our ESG-leading incumbent industries and the fantastic workers who support them, we have an opportunity to better equip them to contribute made-in-Canada solutions to address one of the great global challenges of our time.

Best Regards,

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[6] Krawchenko, T., and Gordon, M. (2021). How Do We Manage a Just Transition? A Comparative Review of National and Regional Just Transition Initiatives. *Sustainability, 13* (11). https://www.mdpi.com/2071-1050/13/11/6070/htm